

2008/2009 Transit Budget Building from the Core

King County Council Staff
Capital Budget Panel, November 6, 2009
v.B1

The Issue

- Transit identified 2008/2009 Budget Gap at \$83-\$90 million
- ~\$90 million ongoing annual budget gap

Executive Response

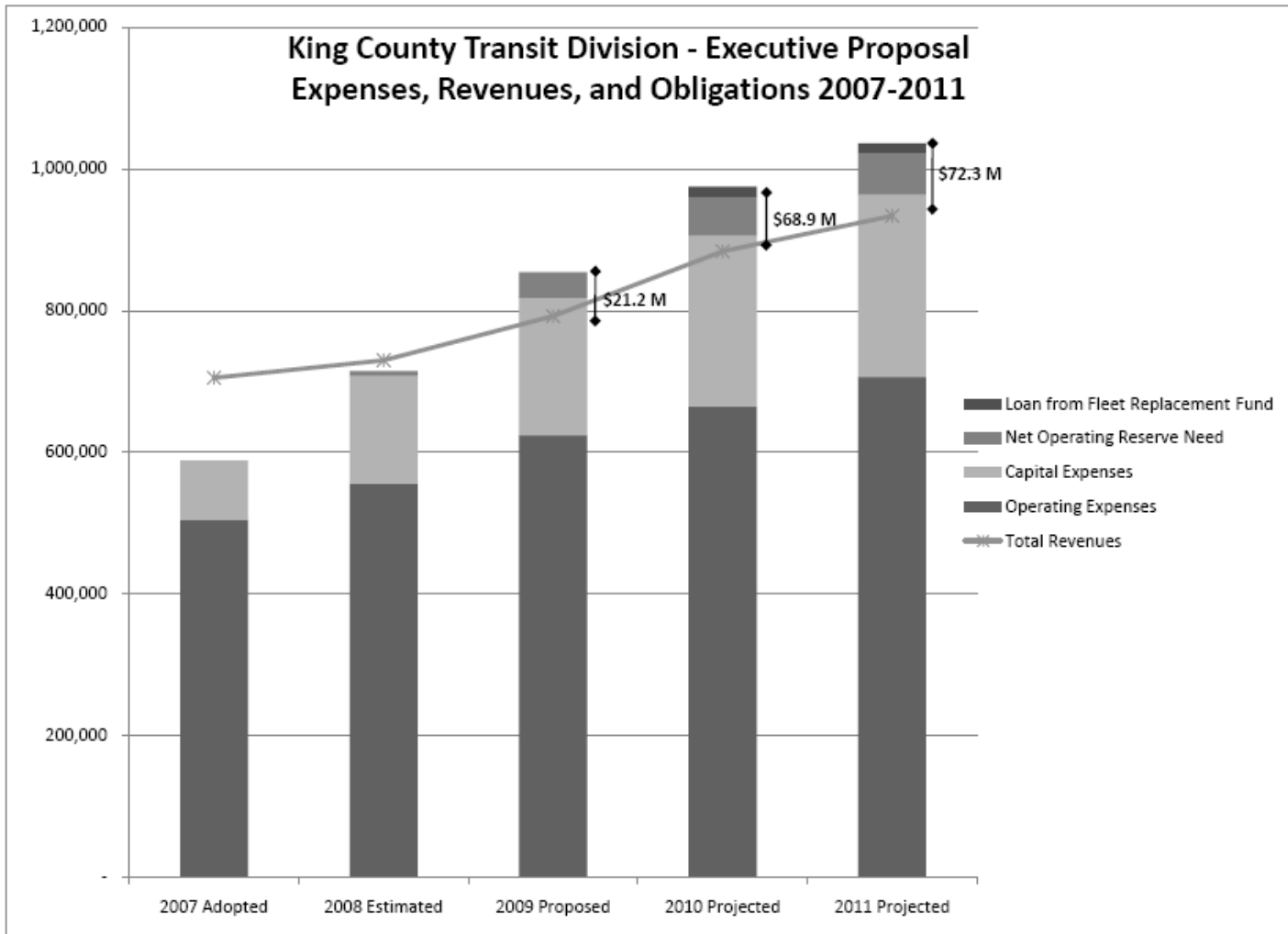
- **Expenditure Reductions**
 - \$2 million in operations reductions
 - \$39 million in capital projects
 - Audit Response for 2010/2011 Budget
- **Revenue Increases**
 - \$0.50 fare increase
 - \$7.5 million in (interim) grant funds
 - New revenue in 2011 or service cuts
- **Borrowing**
 - Reducing/borrowing from reserves intended for other purposes

Concerns with Executive Proposal

- Maintain organizational service levels until 2011
- 2012 - new funds or significant service cuts
- \$7.5 M (Interim) state grant
- Minimal Response (compared to CX)
- Few new reductions
- Weakened transit advocacy position
- Borrowing compounds the problem

Executive Proposal

(Net Effect)



Council Motion 12852

- This motion was the basis for our evaluation
- Initial review found that there appeared to be gaps between the approaches of Executive and Council
- Alternative analysis approach needed

Analysis Approach

- Ask the basic question
- Look deeply at the organization
- Understand the high level functions
- Use what we learn to identify solutions for this biennium and future biennia

Our Question

What is the principle purpose and function of the division?



Delivering Transit Service

Looking Deeply

Look at every unit within the Transit Division and sorted by:

- Directly delivers transit service,
- Delivery structure (admin/ops) is duplicated in other County functions, or
- Makes the Operating or Passenger environment better

And

- Administers Service/System,
- Operates Service/System, or
- Supports Service/System

Category Example: Delivers Transit Service

Category: Delivers Transit Service		
Definition: Unit functions that directly affect and/or deliver transit service		
Work Section	Unit	Activity
Transit Operation	Base Operations	Operate Service/System
Sales & Customer Service	Customer Services: Rider Information	Administer Service/System
Service Development	Scheduling	Support to Service/System
General Manager	Drug and Alcohol	Administer Service/System

Category Example: Makes the System Better

Category: Enhances the Transit System and/or Service		
Definition: Unit functions that deliver programs and services that provide for a better transit operating and/or passenger environment		
Work Section	Unit	Activity
Sales & Customer Service	Employer Sales/CTR Services	Administer Service/System
Service Development	Speed/Reliability	Support to Service/System
General Manager	Research & Management Info	Administer Service/System
Paratransit/Ride share Ops	Vanpool Operations	Operate Service/System
Paratransit/Ride share Ops	Ridematch & Carpool Services	Administer Service/System
Transit Design & Construction	Architectural/Civil	Support to Service/System

Category Example: Structure Exists in County

Category: Structure Exists elsewhere in the County		
Definition: Work Sections : Units that have complete administration structures that are also replicated in county-wide functions		
Work Section: Unit	Category	Other County Division
Vehicle Maintenance: Material Shop	Support to Svc/Sys	DOT: Fleet Administration
Power and Facilities: Transit Bases	Support to Svc/Sys	Facilities Management

Category Example:

General Management/Overhead

Category: General Management, Operations and Administration		
Definition: Division and Unit management organizations from each Work Section plus overhead		
Work Section	Unit	Activity
Transit Operations	Operations Management	Administer Service/System
Vehicle Maintenance	Vehicle Maintenance Management	Administer Service/System
General Manager	Division Director	Administer Service/System
General Manager	\$44M - Overhead & Charges	Overhead

What We Learned

(Current Transit Operations)

- Delivering transit service
 - \$450m/4000 FTE
- General Mgmt/Overhead
 - \$65m/125 FTE
- Dual delivery structure exists
 - \$40m/275 FTE
- Makes the system better
 - \$45m/200 FTE

What We Learned

(Current Transit Operations)

- Administering the System
 - \$100 Million
 - 400 FTE
- Supporting the System
 - \$200 Million
 - 1300 FTE
- Operating the System
 - \$300 Million
 - 2900 FTE

Implications?

- Choices were made to provide for an enhanced environment that are not necessarily critical to delivering service
- The agency maintains a layer of functions that are structurally duplicative to those performed by countywide service divisions
- The agency appears to be “heavy” in administration and management expenses throughout the agency

Current Transit Financial Policies

- 30 Day Cash Reserve minimum cash balance of 1/12 of Operating Budget (est. \$51.5M-2009)
- Sales Tax revenue is distributed 75%-Operating and 25%-Capital (then transferable)
- Farebox recovery should be targeted at a minimum of 25% of operating expenses
- A Rainy Day fund exists (\$0 Balance) that could contain the equivalent of up to 20% of fares (est. \$23M-2009)
- The Financial Plan should provide (revenue) for service commitments (long-term) and associated capital

A Multifaceted Solution/Approach

Operating Expenditures

2008/2009

- Reduce 2009 annual Operations funds by 5% (~\$30M)
- Stipulate that **no changes** (reductions) can be made in the currently **scheduled or planned number of service hours**

2010/2011

- Plan for an estimated 2.5% reduction in 2010

A Multifaceted Solution/Approach

Operating Revenue

2008/2009

- **\$0.50 Fare increase** effective 2/1/2009 (\$22M annually)
- Discount interim funding (-\$7.5M)

A Multifaceted Solution/Approach

Capital Expenditures

2008/2009

- Reduce 2009 annual Capital funds by \$40M

2010/2011

- Policy discussion regarding reducing future year CIP appropriations by redefining the relationship of Capital to Service Delivery

A Multifaceted Solution/Approach

Refocus the Capital Program

- Move away from implementing non-operations capital improvements.
- Establish a partnership fund with other jurisdictions implementing capital improvements
 - 2008/2009 6-Year CIP contains \$156M in non-operations projects in other jurisdictions
 - The partnership fund concept should:
 - Provide for Council participation in criteria development
 - Mandate that the Council establishes the grant award/project list

A Multifaceted Solution/Approach

Increase the Transparency of the Capital Program

- Eliminate bucket-type capital projects/funds (excluding RFRF)
 - Currently 48% of non-bus capital (\$260M of \$550M) is in these bucket-type capital projects
- Re-evaluate all capital projects not yet under contract and establish discreet programs
- Fund Revenue Fleet Replacement Vehicle purchases from the RFR Fund rather than the Capital Fund

A Multifaceted Solution/Approach

- Operations and Management Environment
- Expand the Audit
 - Division-wide (not just service efficiency)
 - Focus on the alignment of the organization in relationship to delivering service
 - Address duplicative structures
 - Increase funding to deliver on scope with timely results

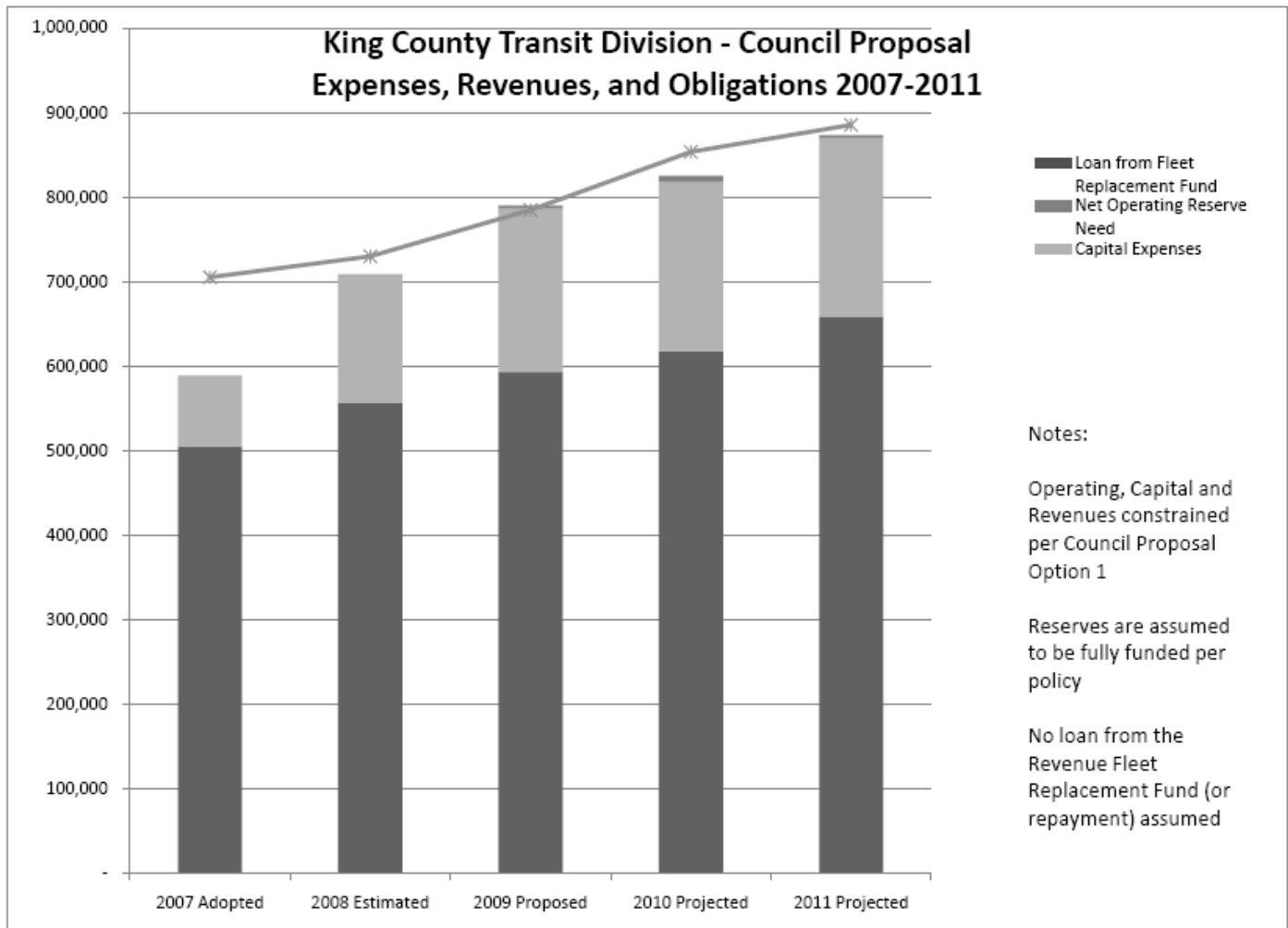
Comparison of Solutions

	Executive Proposal	Council Solution (Opt 1)
(in millions)		
Transit Budget Gap	\$ (83.0)	\$ (83.0)
State Interim Funding		\$ (7.5)
\$0.50 Fare Increase	\$ 20.0	\$ 20.0
CIP Adjustments	\$ 40.0	\$ 40.3
Operating Program Adjustments	\$ 2.3	\$ 30.9
Expanded Audit		\$ (0.7)
Remaining Budget Gap	\$ (20.7)	\$ (0.0)

Example Cost Containment Areas

Fuel Costs lower than projected
 Non-ATU furloughs
 Cola at 4.88% (not 5.5%)
 Additional non-service hour reductions
 Vacant FTEs
 Planned underexpenditures

Council Proposal (Net Effect)



Comparison of Council Solution Options

	Executive Proposal	Council Solution (Opt 1)	Council Solution (Opt 2)	Council Solution (Opt 3)
(in millions)				
Transit Budget Gap	\$ (83.0)	\$ (83.0)	\$ (83.0)	\$ (83.0)
State Interim Funding		\$ (7.5)	\$ (7.5)	\$ (7.5)
Fare Increase	\$ 20.0	\$ 20.0	\$ 9.5	\$ 19.0
CIP Adjustments	\$ 40.0	\$ 40.3	\$ 50.8	\$ 41.3
Operating Program Adjustments	\$ 2.3	\$ 30.9	\$ 30.9	\$ 30.9
Expanded Audit		\$ (0.7)	\$ (0.7)	\$ (0.7)
Remaining Budget Gap	\$ (20.7)	\$ (0.0)	\$ (0.0)	\$ (0.0)

Option 2:
\$0.25 fare increase 2/1/2009 (as proposed 2008-0377)
\$0.25 fare increase 1/1/2010 (All fares categories)
Net difference through Reduction/Deferral in Capital

Option 3
\$0.50 fare increase 2/1/2009 (not Senior/Youth Fares)
\$0.25 fare increase 1/1/2010 (Senior/Youth Fares)
Net difference through Reduction/Deferral in Capital